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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

MG2-2229

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

BEST COPY AVAILABLE

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

For Quarter Ended _____ Commission file number 1-7694

MCorp
(Exact name of registrant as specified in its charter)

Delaware	75-1497763
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1717 Main Street, Suite 3100, Dallas, TX	75201
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (214) 939-5800

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No_

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes N/A No N/A

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common stock, $5.00 par value at April 30, 1992: 42,571,597.

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Financial Information
Item 1. Financial Statements

MCorp and Subsidiaries
Condensed Consolidated Statements of Operations

(dollars in thousands, except per share amounts)

	Three months ended March 31,	
	1992	1991
Interest income	$ 3,400	$ 6,947
Other income	2	164
Total income	3,402	7,111
Interest expense	203	-
Personnel expense	1,952	1,794
Net occupancy expense	41	46
Professional fees	4,240	1,988
Net realized losses, writedowns and expenses of investments and other assets held for sale	20	25
Other expense	1,127	363
Total expense	7,583	4,216
Net (loss) income	$ (4,181)	$ 2,895
Net (loss) income per common share *	$ (0.10)	$ 0.07

*Common stockholders may not receive a distribution from the bankruptcy estate of MCorp.

The accompanying notes are an integral part of the financial statements.

MCorp and Subsidiaries

Condensed Consolidated Balance Sheets

(dollars in thousands, except per share amounts)

	March 31, 1992	March 31, 1991	December 31, 1991
Assets:			
Cash and cash equivalents	$ 298,676	$ 37,916	$ 309,533
Marketable securities (market value of $281,175 at March 31, 1991)	-	275,998	-
Assets held for sale:			
Other investments	55,135	69,616	55,171
Land and other real estate owned	15,964	11,504	16,292
Loans and other	9,307	13,074	10,371
Other assets	15,174	23,816	14,929
	$ 394,256	$ 431,924	$ 406,296
Liabilities and stockholders' deficit			
Liabilities:			
Deferred gain on disposition of discontinued operations	$ -	$ 14,000	$ -
Accounts payable and accrued liabilities	39,027	27,174	46,886
Long-term debt	13,570	-	13,570
Liabilities deferred pursuant to Chapter 11 reorganization proceedings:			
Long-term debt	467,460	467,460	467,460
Other liabilities	53,877	53,877	53,877
Total liabilities	573,934	562,511	581,793
Stockholders' deficit:			
Preferred stock; $1.00 par value; 20,000,000 shares authorized; 959,920 shares issued; aggregate liquidation preference $225,672, $215,012 and $223,415 respectively	960	960	960
Common stock; $5.00 par value; 100,000,000 shares authorized; 42,790,257 issued	213,951	213,951	213,951
Capital surplus	596,957	596,957	596,957
Accumulated deficit	(987,687)	(938,596)	(983,506)
Treasury stock, at cost; 218,660 shares	(3,859)	(3,859)	(3,859)
Total stockholders' deficit	(179,678)	(130,587)	(175,497)
	$ 394,256	$ 431,924	$ 406,296

The accompanying notes are an integral part of the financial statements.

MCorp and Subsidiaries
Condensed Consolidated Statements of Stockholders' Deficit

(dollars in thousands)

	Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Treasury Stock	Total
Balance at January 1, 1991	$ 960	$ 213,951	$ 596,957	$ (941,491)	$ (3,859)	$ (133,482)
Net income	-	-	-	2,895	-	2,895
Balance at March 31, 1991	$ 960	$ 213,951	$ 596, 57	$ (938,595)	$ (3,859)	$ (130,587)
Balance at January 1, 1992	$ 960	$ 213,951	$ 596,957	$ (983,506)	$ (3,859)	$ (175,497)
Net loss	-	-	-	(4,181)	-	(4,181)
Balance at March 31, 1992	$ 960	$ 213,951	$ 596,957	$ (987,687)	$ (3,859)	$ (179,678)

Shares	Preferred Stock	Common Stock	Treasury Stock
January 1, 1991	959,920	42,790,257	218,660
March 31, 1991	959,920	42,790,257	218,660
January 1, 1992	959,920	42,790,257	218,660
March 31, 1992	959,920	42,790,257	218,660

The accompanying notes are an integral part of the financial statements.

MCorp and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(dollars in thousands)

	Three months ended March 31,	
	1992	1991
Operating Activities:		
Net (loss) income	$ (4,181)	$ 2,895
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:		
Net (gain) on sale, distribution and writedown of investments	(53)	-
Increase in interest receivable	(274)	(5,280)
Decrease in accounts receivable	410	1,335
(Decrease) increase in accounts payable and accrued liabilities	(7,859)	2,408
Other, net	(116)	3,892
Net cash provided (used) by continuing operating activities	(12,073)	5,250
Investing Activities:		
Collection of loans and other real estate, net	1,335	706
Cash disbursed in connection with sale of discontinued operations	-	(2,440)
Other, net	(119)	85
Net cash provided (used) by investing activities	1,216	(1,649)
Net (decrease) increase in Cash and Cash Equivalents	(10,857)	3,601
Cash and Cash Equivalents at Beginning of Period	309,533	34,315
Cash and Cash Equivalents at End of Period	$ 298,676	$ 37,916

The accompanying notes are an integral part of the financial statements.

MCORP AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Descriptions of the more significant accounting policies of MCorp (referred to in these notes as the "Parent Company" or "MCorp") and its subsidiaries (the Parent Company and its subsidiaries are referred to collectively in these notes as the "Company"), are presented throughout the notes to the consolidated financial statements.

The accounting policies of MCorp and its subsidiaries conform to generally accepted accounting principles.

The consolidated financial statements of the Company include the accounts of the Parent Company and its wholly-owned subsidiaries. Net assets of the banking subsidiaries were written off as of December 31, 1990. See Notes 2 and 3.

All significant intercompany balances and transactions have been eliminated in the consolidated financial statements except as disclosed in Note 5.

Subject to the foregoing, in the opinion of management, all adjustments, consisting only of normal recurring accruals, have been made that are necessary for a fair presentation of the financial position and the results of operations for the periods presented. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Note 1 - Chapter 11 filing

MCorp and two of its subsidiaries, MCorp Financial, Inc. ("MFI") and MCorp Management, Inc. ("MCorp Management") (collectively, the "Debtors"), are currently the subject of voluntary cases under Chapter 11 of the United States Bankruptcy Code ("Chapter 11 Cases"). The filings of such cases by the three companies under Chapter 11 resulted from a series of events that transpired during 1988 and 1989, principally related to the losses from lending activities of the Company's MBanks and the actions of regulators. In late March 1989, after an involuntary petition had been filed against MCorp in the United States Bankruptcy Court for the Southern District of New York, the Office of the Comptroller of the Currency ("OCC") declared 20 of the Company's 25 MBank subsidiaries insolvent, closed those banks and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver for the closed MBanks (collectively this event is referred to as the "seizure", the 20 banks declared insolvent are referred to as the "Closed Banks" and the five banks not declared insolvent are referred to as the "Remaining Banks"). During 1990 Corpus Christi National Bank (formerly MBank Corpus Christi) and Mercantile Bank, N.A. (formerly MBank Brownsville) were sold and in 1991 First National Bank of Central Texas (formerly MBank Waco) and State National Bank (formerly MBank El Paso) were sold. The Debtors are also evaluating various alternatives with respect to the disposition of Plaza Bank, N.A. (formerly MBank New Braunfels). See Note 3.

At March 31, 1992, recorded liabilities of MCorp exceeded its assets by $179.7 million. At April 30, 1992 MCorp did not meet capital guidelines established by the Federal Reserve Board for bank holding companies. At April 30, 1992 Plaza Bank, N.A. met capital guidelines established by the OCC but the bank is unable to pay any dividends to MFI without the prior approval of the OCC. On October 5, 1989 the United States Bankruptcy Court for the Southern District of Texas in Houston (the "Houston Bankruptcy Court") entered an order (the "First Downstreaming Order") permitting the Debtors to transfer, either by capital contribution or to satisfy obligations, a total of $15.7 million to the Remaining Banks. The transfer could be made in assets, cash or a combination of the two. Pursuant to the First Downstreaming Order, the Debtors contributed capital or satisfied obligations totaling $11.6 million by transferring assets to two of the Remaining Banks. On December 11, 1990 the Houston Bankruptcy Court authorized the Debtors to transfer cash or assets as capital contributions in an amount up to $13 million (the "Second Downstreaming Order") to one or more of the Remaining Banks. The Second Downstreaming Order was sought as an inducement to the FDIC to provide a waiver of any claim against the banks under the cross-guarantee provisions of Section 206(e) of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA") which was required by the buyers of Corpus Christi National Bank and Mercantile Bank, N.A. Under the cross-guarantee provisions of FIRREA, the FDIC may assert claims against one or more of the Remaining Banks (but not against MCorp, MFI or MCorp Management) for losses the FDIC incurs or expects to incur in connection with any closing of, or the provision of assistance to, any other Remaining Bank. No such claims have been asserted by the FDIC. The Debtors agreed with the FDIC that upon the receipt from the FDIC of a waiver of liability under section 206(e) of FIRREA acceptable to the MBanks' buyers and the closing of the sales of the MBanks, MFI would make capital contributions to certain of the Remaining Banks. Pursuant to the Second Downstreaming Order, MCorp contributed $13 million in cash to two of the Remaining Banks. On May 9, 1991 the Houston Bankruptcy Court issued an order (the "Third Downstreaming Order") authorizing the debtors to transfer cash or assets to Plaza Bank, N.A. Pursuant to the Third Downstreaming Order, the Debtors contributed approximately $446 thousand in cash to Plaza Bank, N.A. in 1991 and $250 thousand in cash in the first quarter of 1992.

The Debtors filed their first proposed Chapter 11 Plan of Reorganization and Disclosure Statement on March 11, 1991. During the spring of 1991, after discussions with numerous unsecured creditors, the Debtors determined that certain modifications to this plan, including simplification of the structure and altering the sharing of distributable assets among the creditors, would enhance the prospects for consensual confirmation of an amended plan. Also, it appeared that the agreement reached with the creditors' committee regarding the original plan was no longer supported by a significant portion of the committee. Consequently, the Debtors filed their second proposed Plan of Reorganization and Disclosure Statement on June 7, 1991. Negotiations continued among the Debtors, the Committee and the unsecured creditors to amend the Plan so it would gain support of all creditors. The Debtors filed their third proposed Disclosure Statement and Plan ("the Plan") on September 11, 1991. The Houston Bankruptcy Court approved the third proposed Disclosure Statement on October 1, 1991.

Results of the Chapter 11 voting were that the equity class containing MCorp's Series A and Series B Money Market Cumulative Preferred Stock voted to reject the Plan. However, an overwhelming majority of the remaining creditors and equity holders of MCorp voted to accept the Plan. The Plan provided that if any equity class voted to reject the plan, no distributions would be made to that class or to any equity class junior to it. The most senior class of MCorp equity voted to reject the Plan.

On January 7, 1992 the Houston Bankruptcy Court denied confirmation of the Plan. The Houston District Court granted the Debtors' motion for expedited appeal but on April 24, 1992 the Houston District Court denied the Debtors' appeal for procedural reasons. The Debtor's are working with the creditors' committee to evaluate alternatives regarding an amended plan of reorganization. The Debtor's cannot accurately predict when another plan of reorganization will be submitted to the Houston Bankruptcy court or what its terms will be.

Although the Debtors believe that it is theoretically possible that all of their legitimate creditors may be paid in full, they do not believe that this result is likely.

Approximately 2,071 proofs of claim that aggregate approximately $4.1 billion have been filed against the Debtors. The Debtors have objected to approximately 1,982 of their proofs of claim that aggregate approximately $3.6 billion. Of these claims over $3.1 billion have been disallowed by the Houston Bankruptcy Court, withdrawn by the claimants, settled by the Debtors or litigated. The total undisputed claims against MCorp (including claims whether scheduled with the Houston Bankruptcy Court or filed as proofs of claim) are approximately $524 million; the total undisputed claims against MFI are approximately $491 million; and the total undisputed claims against MCorp Management are approximately $331 million. These undisputed claims include substantial amounts of claims for which two or more Debtors have joint liability, as well as inter-Debtor claims.

The claims resolved by litigation include the FDIC Claims, as amended on January 3, 1991, amended on March 8, 1991 and further amended on October 11, 1991, in the amount of approximately $262 million. On November 12, 1991 District Judge Lynn N. Hughes of the Houston District Court ruled that the FDIC had total claims against MCorp Management of approximately $1.8 million and claims against MCorp of $400 thousand. Judge Hughes also ruled against the FDIC on the counterclaim for federal taxes in the amount of $4.8 million in favor of MCorp and $9.7 million in favor of MCorp Management; thus, the potential claim of the FDIC in the amount of $2.2 million was completely offset. The Debtor's additional counterclaims against the FDIC have not yet been fully resolved for purposes other than voting on the Chapter 11 plans.

The Debtors have negotiated and, with approval from the Houston Bankruptcy Court, paid settlements of other claims and obligations, including (i) the $114 million claim of Electronic Data Systems Corporation for $20 million; (ii) the $671 million claims of landlords (other than Principal Mutual Life Insurance Company) for approximately $13.2 million; and (iii) the $2 million claim of AEtna Casualty & Surety Company for $800

thousand; and (iv) the $5 million claim of B. D. Click for $20 thousand. In addition, the Debtors have negotiated settlements of other claims, including (i) the $120 million claim of Commercial Real Estate Associates Inc. ("CREA") for $1.75 million; (ii) the $3 million claim of Shearson Lehman Hutton Inc. ("Shearson") for $1.4 million; (iii) the $207 thousand claim of Jerry Gates for $100,000; (iv) the $7 million claim of Lomas Financial Corporation ("Lomas") for $2.3 million and a stipulated offset of approximately $1.7 million against claims owing by Lomas to the Debtors; (v) the nearly $2 million claim of A. G. McNeese for $110 thousand; and (vi) the $189 thousand claim of Winstead, McGuire, Sechrest & Minnick ("Winstead") for $10 thousand. In addition, the claim of Flynn Energy Corporation of $50 million has been reduced to a maximum of $1.7 million through mediation and the claim of 500 North Shoreline Associates of $2.4 million is expected to be withdrawn. The settlements with CREA, Shearson, Lomas, A. G. McNeese, Flynn Energy and Winstead have not been approved by the Houston Bankruptcy Court. The Houston Bankruptcy Court's disapproval of the Jerry Gates settlement is on appeal to the Houston District Court.

The claims to which the Debtors have objected but remain unresolved include (i) approximately $60 million in claims of Principal Mutual Life Insurance Company and its predecessor in interest; (ii) the $45 million claims of the Debtors' directors and officers indemnity liability insurance carriers; and (iii) $290 million in duplicative claims of holders of public debt. Other categories of claims to which the Debtors have objected include claims erroneously filed and claims as to which the Debtors believe they have meritorious defenses.

Debtors are still reviewing the claims described above and may determine that objection to other claims is appropriate. The Debtors are unable to predict with certainty the outcome of the Debtors' objections to the claims. Where appropriate, the Debtors intend to attempt to settle or compromise certain of the claims. The claims may also be subject to the obligation of creditors to mitigate their damages and may otherwise be subject to reduction or elimination. In addition, the Debtors may elect to challenge the priority and classification of any claims that are ultimately allowed by the Houston Bankruptcy Court, and management believes the Debtors have substantial claims and rights of setoff that would reduce or eliminate certain of the claims.

The claims described above do not include any administrative claims filed or accrued against the Debtors after the commencement of the Chapter 11 Cases.

The Chapter 11 Cases, the claims of the FDIC and others, and other factors described above raise substantial doubts about the Company's ability to continue operations with its current capital structure. The Company's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability of assets or the amount of liabilities that might be necessary should the Company be unable to continue operations with its current capital structure.

Note 2 - Basis of presentation

The consolidated financial statements have been prepared assuming that the Company will continue operations with its current capital structure. See Note 1 for matters affecting the Company's ability to continue operations.

As a result of the decision to discontinue the Company's banking operations and the intention to dispose of the remaining banks for amounts that may involve only nominal consideration, the Company's net investment in the remaining banks was written off as of December 31, 1990. Results of operations for all banking subsidiaries are presented as "loss from discontinued operations" in the statements of operations. See Note 3.

For purposes of the statements of cash flows, the Company has defined cash equivalents as cash, certificates of deposit and U. S. Treasury bills with remaining maturities of three months or less at date of acquisition. A portion of the proceeds received from the sale of MVestment may not be withdrawn until ownership and entitlement is established. The FDIC has filed a claim, which has been denied by the Houston District Court, alleging it has a right to the proceeds as a result of the sale of the trust business by the Closed Banks to MVestment. These funds plus interest accrued thereon totalling $67.5 million at March 31, 1992 are invested primarily in U.S. Treasury bills.

The Company made no Federal income tax payments for the quarters ended March 31, 1992 and 1991.

Note 3 - Discontinued Operations

After considering the current circumstances of MCorp and of the Remaining Banks, the management of MCorp and MFI concluded that the sale of the remaining banking subsidiaries was in the best interests of the creditors and stockholders of the Company and would maximize the value of the Remaining Banks to the estates of the Debtors.

On February 27, 1990, MCorp sold all of the capital stock of MVestment Corp to Ameritrust Corporation ("Ameritrust"). The purchase price paid for the capital stock of MVestment was approximately $49.8 million, of which approximately $34.8 million was paid in cash to MFI at the time of closing, and $15 million was paid in the form of a five-year unsecured promissory note payable to MFI. In connection with the sale of MVestment, MVestment also repaid to MCorp Management a loan of approximately $69.9 million which had been made by MCorp Management to MVestment. The sale of MVestment also resulted in the sale of MTrust Corp and the other operating subsidiaries of MVestment to Ameritrust. As a result of such sale, MCorp realized a gain for consolidated financial reporting purposes of $96.3 million. This gain was offset with the actual losses and estimated losses on the sale of the Remaining Banks.

On December 6, 1990 Corpus Christi National Bank reduced and eliminated all of its outstanding capital stock owned by MFI, in exchange for the bank's distribution to MFI of assets with a stipulated value of $5 million and the issuance to MFI of a warrant to acquire, for $1 per share, shares of a new class of common stock of Corpus Christi National Bank to be issued in the recapitalization of that bank. The warrant for 51,525 shares would equal 4.9% of the shares to be outstanding upon the sale of $20,000,000 of new common stock and the exercise of the warrant. This warrant was exercised on May 16, 1991.

On December 21, 1990 MCorp sold MFI's interest in Mercantile Bank, N.A. for approximately $11 million in cash and acquired an option to purchase for $3 million certain assets with a stipulated value of $14 million. The market value of the assets purchased, estimated to be approximately $9 million, together with the $8 million of net cash received, was recorded as the consideration for the sale.

On June 3, 1991 MFI sold its interest in First National Bank of Central Texas ("FNB") for nominal consideration, plus the amount of any capital contributed to FNB by MFI prior to the closing less any losses incurred by FNB after the date the motion for approval of the sale was filed and up to the date of closing. In connection with the sale of FNB, the Company acquired certain assets from FNB for a purchase price equal to the assets' stipulated value totalling approximately $27.4 million, which purchase price was payable 50% in cash and 50% in a non-recourse promissory note by MFI secured by the assets. For financial reporting purposes, the assets were recorded at an amount equal to the principal amount of the non-recourse loan. Therefore, there is no exposure to loss from disposition of the assets but there may be gains if the assets are realized for an amount greater than the amount of the non-recourse note plus accrued interest. Servicing agreements have been entered with Mercantile Bank, N.A. and FNB pursuant to which those banks will service the respective assets acquired from them on the Company's behalf for a fee to be paid to them by the Company.

On August 8, 1991 MCorp sold 90.1% of the outstanding stock of State National Bank for approximately $446 thousand in cash. At the same time the purchasers contributed $14.9 million of new capital. In addition MCorp received an option that permits MFI to sell additional shares of State National Bank to the original purchasers. The put option is exercisable in the thirty-seventh month after the date of sale for a price equal to the then net book value per share. MFI initially has retained 9.9% of the outstanding stock in the bank.

MCorp and MFI are also evaluating various alternatives with respect to the disposition of Plaza Bank, N.A. MFI is unlikely to sell Plaza Bank, N.A. or receive any cash consideration if a sale is made until such time as its suit against the FDIC has been resolved. In addition, the consummation of any transaction is likely to be subject to certain conditions, including the receipt of applicable approvals or absence of disapproval of regulatory authorities.

The subsidiary banks declared no dividends in the first quarter of 1992 or 1991. Plaza Bank, N.A. may not declare dividends without the prior approval of the OCC.

Condensed combined financial statements of the discontinued operations for the quarters ended March 31, 1992 and 1991 and as of March 31, 1992 and 1991 and December 31, 1991 are presented below. Because MCorp had previously written off its investment in discontinued operations, the results of such operations are not reflected in the condensed consolidated statement of operations.

Condensed Statement of Operations
(dollars in thousands)

	Three months ended March 31,	
	1992	1991
Interest income	$1,206	$23,652
Interest expense	712	15,186
Net interest income	494	8,466
Provision for possible loan losses	-	-
Net interest income after provision for possible loan losses	494	8,466
Non-interest income	402	2,495
Non-interest expense	478	13,165
Gain (loss) from operations	$ 418	$(2,204)

Condensed Balance Sheet
(dollars in thousands)

	March 31,		December 31,
	1992	1991	1991
Assets			
Cash and due from banks	$ 3,384	$ 66,530	$ 3,593
Investment securities	18,227	212,450	19,954
Federal funds sold and securities purchased under repurchase agreements	6,050	95,355	5,500
Loans, net of allowance for possible loan losses of $.5 million, $40 million and $.5 million, respectively	33,420	660,067	33,678
Other assets	7,104	107,950	6,416
Total assets	$68,185	$1,142,352	$69,141
Liabilities and stockholder's equity			
Liabilities:			
Deposits	$64,245	$1,042,578	$65,515
Short-term debt	-	50,321	-
Long-term debt	-	926	-
Other liabilities	354	9,374	458
Total liabilities	64,599	1,103,199	65,973
Stockholder's equity:	3,586	39,153	3,168
Total liabilities and stockholder's equity	$68,185	$1,142,352	$69,141

Note 4 - Income Taxes

For the quarter ending March 31, 1992, the Company recorded a loss for financial reporting purposes of $4.2 million. The Company has available substantial amounts of net operating losses and tax credit carryforwards for Federal income tax and financial reporting purposes from prior years. The Company made no provision for Federal income tax payments for the quarters ended March 31, 1992 and 1991. Use of any loss carryforwards is dependent on future taxable income. As a result of uncertainties relating to the terms of a final confirmed plan or plans of reorganization under the Chapter 11 Cases, the extent of tax loss carryforwards available to the Company after reorganization cannot presently be determined.

Note 5 - Related Party Transactions

In the ordinary course of business the Debtors have engaged in transactions with their subsidiaries. At March 31, 1992 and 1991 and the year ended December 31, 1991 the Debtors had no bank deposits or certificates of deposit in the Remaining Banks. At March 31, 1992 and 1991 and the December 31, 1991, MCorp Management had outstanding accounts receivable from the Remaining Banks of $18 thousand, $.5 million and $.1 million, respectively. For the quarters ended March 31, 1992 and 1991 the Debtors recognized no interest income on advances to subsidiaries and interest bearing deposits which were not eliminated in consolidation. MCorp Management performed certain management services for its banking subsidiaries for which they are charged. MCorp Management recognized no management fee income for the quarters ended March 31, 1992 and 1991. Loans outstanding to officers of the Company total $920 thousand. The Company holds a note receivable from Lomas and Nettleton Financial Corp. with a carrying value including accrued interest of $31.2 million.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following commentary presents management's discussion and analysis of MCorp's consolidated financial condition and results of operations. This review should be read in conjunction with information provided in the financial statements, accompanying notes and selected financial data appearing elsewhere in this report. For convenience, all references to "MCorp" or the "Company" contained in this discussion refer to the parent company and all of its consolidated subsidiaries unless the text requires otherwise. Reference to the "Debtors" refers to MCorp, MCorp Management, Inc. ("MCorp Management") and MCorp Financial, Inc. ("MFI") and does not include any of their subsidiaries.

The Debtors are currently the subject of voluntary reorganization cases under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Cases"). The Debtors' Chapter 11 filings resulted from a series of events that transpired in 1988 and early 1989, principally related to capital and liquidity pressures stemming from the continuing losses of certain of the Company's subsidiary banks. On March 28 and 29, 1989, the Office of the Comptroller of the Currency ("OCC") declared 20 of the Company's 25 bank subsidiaries insolvent and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver for the closed banks (collectively this event is referred to as the "seizure", the 20 banks declared insolvent are referred to as the "Closed Banks" and the five banks not declared insolvent are referred to as the "Remaining Banks"). MCorp believes that at least twelve of the Closed Banks were solvent at the date of the bank closings and should not have been seized and closed. MCorp and MFI have filed suit in the United States District Court for the Northern District of Texas, Dallas Division (the "Dallas District Court") against Robert L. Clarke, the Comptroller of the Currency of the United States (the "Comptroller") and the FDIC alleging that the Comptroller, the FDIC and the Federal Reserve Board acted in concert to manufacture claims of insolvency against 12 of the 20 Closed Banks. On February 1, 1991 the Dallas District Court granted the Debtors' motion for summary judgment in favor of the Debtors on the merits against the FDIC and the Comptroller.

The Dallas District Court ruled that the FDIC and the Comptroller had, in fact, violated the National Bank Act when they declared the Closed Banks insolvent on March 28, 1989. The Dallas District Court found that the evidence supported MCorp's allegations that the FDIC and the Comptroller plotted to close as many MBanks as possible in order to provide a more attractive group of assets to prospective buyers. The Dallas District Court also held that the FDIC, as receiver for MBanks Dallas, Houston and Fort Worth, failed to fully reimburse the MBanks for the federal funds they had sold to MBanks Dallas, Houston and Fort Worth and that this failure violated the National Bank Act by not treating all creditors of those banks alike. Other creditors and depositors of MBanks Dallas, Houston and Fort Worth had been compensated in full for their claims through a combination of payments from the receiverships of the Closed Banks and from the FDIC bank insurance fund. The preference extended by the FDIC in favor of other creditors and depositors was found to be in violation of the National Bank Act.

The Dallas District Court's ruling also indicated that the court will consider the remedies to be awarded to MCorp and MFI. On February 15, 1991, the FDIC filed a motion for reconsideration of the court's ruling with the Dallas District Court. This motion was denied. On February 27, 1992 the Fifth Circuit in Texas American Bancshares, Inc. v. Clarke (the "TAB Decision") reversed a lower court decision that had held that in connection with a closure of a subsidiary bank of Texas American Bancshares, Inc. ("TAB") the FDIC, the receiver of the failed bank, violated 12 U.S.C. Sec. 191 and 194 of the National Bank Act by paying one amount to affiliates of TAB and a greater amount to non-affiliated creditors. The actions of the FDIC in the TAB situation were similar to the FDIC's actions in the closure of the Closed Banks. While there are obvious similarities between the TAB Decision and the MCorp and Plaza Bank, N.A. cases discussed above, there are significant factual distinctions which management believes compel a holding that the FDIC's actions violated applicable law. In addition, in both the MCorp and Plaza Bank, N.A. cases there is a totally independent legal basis for MCorp's and Plaza Bank's claims that was neither raised by TAB nor addressed by the Fifth Circuit.

As a result of the bankruptcy proceedings, management of MCorp and MFI concluded that the sale of the remaining bank subsidiaries is in the best interest of the creditors and stockholders of MCorp and will maximize the value of the banking subsidiaries to the estates of the Debtors. Due to the material changes in the nature of the Company's business occurring in 1989, the bank holding company format prescribed by Article 9 of Regulation S-X promulgated by the Securities and Exchange Commission was no longer applicable. The format of the financial statements was changed to reflect the Company's current operations. During the first quarter of 1990, MCorp completed the sale of MVestment, a trust and investment subsidiary whose subsidiary, MTrust Corp, had statutory banking powers. In the fourth quarter of 1990, MCorp completed the sales of Corpus Christi National Bank (formerly MBank Corpus Christi) and Mercantile Bank, N.A. (formerly MBank Brownsville). As a result of the decision to discontinue the Company's banking operations, the sale in 1990 of MVestment and two of the Remaining Banks and the intention to dispose of the three Remaining Banks for amounts that might involve only nominal consideration, the Company's net investment in the remaining banking subsidiaries was written off as of December 31, 1990. Results of operations for all banking subsidiaries are presented as "income or loss from discontinued operations" in the financial statements through December 31, 1990. During the second quarter of 1991, MCorp and MFI completed the sale of First National Bank of Central Texas (formerly MBank Waco) and subsequently on August 8, 1991, MCorp sold 90.1% of the outstanding stock of State National Bank (formerly MBank El Paso). MCorp and MFI are evaluating various alternatives with respect to the disposition of Plaza Bank, N.A. (formerly MBank New Braunfels) and the remaining assets of the Debtors. The timing and recovery of any such transactions are uncertain at this time.

The Board of Directors of MCorp approved a resolution permitting the termination of the MCorp Pension Plan ("Pension Plan") effective November 30, 1990. MCorp served as the plan sponsor until February 29, 1992 when the sponsorship was transferred to

MCorp Management. Termination of the plan was approved by the Pension Benefit Guaranty Corporation and the Internal Revenue Service. The United States District Court ruled, subject to appeal, that the excess assets (after applicable taxes) revert to MCorp.

The Chapter 11 Cases, the claims of the FDIC and others, and other factors raise substantial doubts about the Company's ability to continue as a going concern as it is currently configured. The Company's financial statements were prepared in conformity with generally accepted accounting principles on a going concern basis. They do not reflect the effects of any adjustments related to recoverability of assets or the amount of liabilities that might be necessary should the Company be unable to continue operations with its current capital structure. The Debtors filed their third proposed Disclosure Statement and Plan ("the Plan") on September 11, 1991. On January 7, 1992 the Houston Bankruptcy Court denied confirmation of the Plan. The Houston District Court granted the Debtors' motion for expedited appeal but on April 24, 1992 the Houston District Court denied the Debtors' appeal for procedural reasons. The Debtors' are working with the creditors' committee to evaluate alternatives regarding an amended plan of reorganization.

Review of the Consolidated Statement of Operations

MCorp recorded a net loss of $4.2 million in the first quarter of 1992 compared with net income of $2.9 million in the first quarter of 1991. The loss in the first quarter of 1992 of $4.2 million primarily resulted from interest income of $3.4 million offset by interest expense of $.2 million and non-interest expense of $7.4 million.

In the first quarter of 1992 net interest income (interest income net of interest expense) amounted to $3.2 million compared with net interest income of $6.9 million in the first quarter of 1991. This decrease is primarily due to the declining interest rate environment.

Non-interest expenses amounted to $7.4 million for the first quarter of 1992 compared with $4.2 million in 1991 resulting in an increase of $3.2 million. This increase is partially due to an increase of $2.3 million in professional fees as a result of litigation costs associated with the Chapter 11 bankruptcy proceedings. Other expense increased $.8 million, partially due to increased insurance costs and partially due to the write-off of a receivable by a non-bank subsidiary.

Balance Sheet Management

Total assets at March 31, 1992 were $394.3 million compared with $431.9 million at March 31, 1991. The majority of the decrease in total assets resulted from writedowns of assets to estimated market values and the settlement of certain claims against the Debtors.

Cash and cash equivalents amounted to $298.7 million at March 31, 1992 and consisted primarily of U. S. Treasury bills. The Company has defined cash equivalents as cash, certificates of deposit and U.S. Treasury bills with a remaining maturity at the date of acquisition of three months or less. Marketable securities totalled $276 million at March 31, 1991 and consisted exclusively of U. S. Treasury notes. A portion of the cash equivalent proceeds received from the sale of MVestment may not be withdrawn from an escrow account until ownership and entitlement is established. The FDIC has filed a claim, which has been denied by the U.S. District Court, alleging it has a right to the proceeds as a result of the sale of the trust businesses by the Closed Banks to MVestment. These funds plus interest accrued thereon totalling $67.5 million at March 31, 1992 are primarily invested in U.S. Treasury bills.

Assets held for sale include other investments, land, other real estate owned, loans and other assets totaling $80.4 million at March 31, 1992, a decrease of $13.8 million over the March 31, 1991 balance of $94.2 million. The decrease is primarily attributable to writedowns taken on other investments and the sale of the Company's southwestern art collection. Because these investments are not frequently traded, the values reflected are management's best estimate of market values.

On June 3, 1991 MFI completed the sale of First National Bank of Central Texas. On August 8, 1991 MFI completed the sale of 90.1% of the outstanding stock of State National Bank. MCorp continues to evaluate various alternatives with respect to the disposition of its one remaining banking subsidiary and its remaining financial assets. The timing and recovery of any such transactions are uncertain at this time.

At March 31, 1992, total recorded liabilities amounted to $573.9 million and reflected an increase of $11.4 million when compared to March 31, 1991. This increase is primarily due to the accrual of professional fees as a result of litigation costs associated with the Chapter 11 bankruptcy proceedings and the non-recourse note payable to First National Bank of Central Texas of $13.6 million, offset by recognition of the remaining deferred gain on the sale of MVestment. Pre-petition long-term debt amounted to $467.5 million at March 31, 1992 and March 31, 1991 and consisted of $342.5 million of senior unsecured notes and investment agreements and $125.0 million of subordinated floating rate capital notes. As a result of the Chapter 11 Cases, no interest has been accrued or paid with respect to such debt since the filing of the bankruptcy petitions representing a default under the terms of such securities. In June, 1991 post-petition long term debt increased $13.6 million due to the purchase of designated assets from First National Bank of Central Texas, 50% of the purchase price of which was payable by issuance by MFI to First National Bank of Central Texas of a non-recourse promissory note bearing interest at prime less two percent by MFI secured by the assets and payable over ten years. The Debtors anticipate that the ultimate resolution of their liabilities will be settled pursuant to a reorganization plan. At March 31, 1992 other liabilities of $92.9 million consisted of pre-petition interest payable of $38.4 million, and pre-petition and post-petition accounts payable and accruals of $15.5 million and $39.0 million, respectively. This compares with other liabilities of $81.1 million at March 31, 1991 which consisted of pre-petition interest

payable of $38.4 million, and pre-petition and post-petition accounts payable and accruals of $15.5 million and $27.2 million, respectively. As discussed above, the increase in post-petition accounts payable and accruals is primarily due to increasing litigation costs. At March 31, 1992 MCorp's recorded liabilities exceeded its assets by $179.7 million. MCorp declared a moratorium, effective October 21, 1988, on further payments of dividends on Preferred Stock and Common Stock and of principal and interest on Parent Company debt. At March 31, 1992 the amount of dividends in arrears on the $3.50 Series Preferred Stock was $840 thousand and the amount of dividends in arrears on the Money Market Preferred Stock was $51.8 million. A default in preferred dividends on the Money Market Preferred Stock occurs when six quarterly dividends are unpaid and in arrears. If a default exists at the time of any annual meeting of shareholders for the election of directors, the number of directors of the Company is increased by two, and the holders of the Money Market Preferred Stock shall elect them. The default in preferred dividends on the Money Market Preferred Stock occurred on April 19, 1990. Future equity or deficit levels will be largely dependent upon the Company's operating results, recoverability of recorded asset amounts, the resolution of contingent assets including the counter claim filed against the FDIC and the resolution of contingent liabilities and claims against MCorp in the Chapter 11 proceedings, all of which management continues to assess.

Liquidity Management

The purpose of MCorp's liquidity management is to assure that sufficient cash flow exists to meet the Company's financial commitments which arise in daily operations. Cash flow requirements of the parent company were significantly reduced by the suspension on October 21, 1988 of interest and principal payments on long-term debt and by filing for relief under Chapter 11 of the U. S. Bankruptcy Code. The current cash requirements are principally administrative in nature and are largely related to the Chapter 11 Cases and the disposition of assets. Liquidity is primarily derived from the asset side of the balance sheet and is linked to a substantial base of liquid assets and the interest income earned thereon. Cash resulting from the disposition of assets will provide additional liquidity. Management believes MCorp's financial holdings allow it the flexibility to meet future cash needs at levels considered appropriate for managing the business.

Part II. Other Information

Item 1. Legal Proceedings.

See Part I, Item 1. - "Financial Statements - Notes to the Consolidated Financial Statements - - Note 1." See also Part I, Item 3. - "Legal Proceedings" of MCorp's Annual Report on Form 10-K for the year ended December 31, 1991 for a discussion of legal proceedings to which MCorp is a party.

See Part I, Item 1. - "Financial Statements - Notes to the Consolidated Financial Statements - - Note 1" of MCorp's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 for a discussion of the claims litigation. See Part I, Item 1. - "Financial Statements - Notes to the Consolidated Financial Statements - - Note 5" of MCorp's Quarterly Report on Form 10-Q for the quarter ended March 31, 1992 for a discussion of legal proceedings to which MCorp is a party.

Item 2. Changes in Securities.

As a result of the Chapter 11 proceedings, MCorp may not pay dividends on any of its outstanding securities without the prior approval of the Houston Bankruptcy Court.

Item 3. Defaults upon Senior Securities.

See Part I, Item 2. - "Management's Discussion and Analysis of Financial Condition And Results of Operations - Balance Sheet Management."

Item 4. Submission to a Vote of Security Holders.

N/A

Item 5. Other Information.

See Part I, Item 2. - "Management's Discussion and Analysis of Financial Condition And Results of Operations - Balance Sheet Management" for a discussion of the Company's sales of certain of its remaining banking subsidiaries.

Item 6. Exhibits and Reports on Form 8-K.

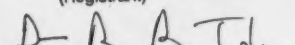
(a) Exhibit 11 Computation of Income(Loss) Per Share
(b) Current Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MCorp
(Registrant)

Date: May 13, 1992

By: 
Peter B. Bartholow
President and
Chief Executive Officer

Date: May 13, 1992

By: 
W. Mack Goforth
Managing Director
Accounting and Control

Exhibit Index

Sequentially Exhibit No.	Description of Exhibit	Numbered Page
11	Computation of Income(Loss) per Share	22

MCORP AND SUBSIDIARIES

Exhibit 11

COMPUTATION OF INCOME (LOSS) PER SHARE

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	1992	1991
Computation of income (loss) per common and common equivalent share - assuming no dilution:		
Net (loss) income	$ (4,181)	$ 2,895
Preferred stock dividends:		
$3.50 convertible preferred	-	-
Money market preferred	-	-
Adjusted net (loss) income	$ (4,181)	$ 2,895
Weighted average shares outstanding	42,572	42,572
Increase in weighted average shares outstanding from common stock equivalents	-	-
Adjusted weighted average shares outstanding	42,572	42,572
Net (loss) income per common and common equivalent share*	$ (0.10)	$ 0.07

*Common stockholders may not receive a distribution from the bankruptcy estate of MCorp.

The computations of income (loss) per common and common equivalent shares assuming no dilution and assuming full dilution are identical because there are no dilutive securities.